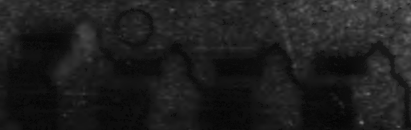


Alberta's Response to the Western Transportation Initiative

MARCH 11, 1983

Alberta



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FOREWORD

On February 8, 1982 Honourable Jean Luc Pepin, Federal Minister of Transport, announced the Federal Government's plans to reform the Crow Rate.

Dr. Clay Gilson chaired a consultation and negotiation among farm organizations and railways addressing the issues around Crow. Dr. Gilson forwarded this report to Mr. Pepin on June 28, 1982.

The Alberta Government responded to the Gilson report with Alberta's Grain Transportation Policy.

The Gilson report was debated among farm organizations until February, 1983 when Mr. Pepin announced the Western Transportation Initiative to reform the Crow Rate.

The Government of Alberta's response to the Initiative undertaken by the Federal Government is outlined in this booklet.

Alberta



Hon. LeRoy Fjordbotten's MINISTERIAL STATEMENT on Alberta's Response to the Western Transportation Initiative – presented to the Legislative Assembly, March 11, 1983.

Mr. Speaker, I have a rather important ministerial statement, on a most complex issue, which I would like to present to the Assembly today. The Honourable Hugh Planche, Minister of Economic Development, and I generally accept the federal government's understanding of the need for a comprehensive approach to action on western rail capacity, grain handling and transportation. We view the federal policy proposal as a necessary first step towards continued agricultural growth and economic development in Alberta. However, there are a number of key issues that have yet to be satisfactorily resolved and must be in the legislation.

We are concerned with the federal government's future cost-sharing arrangements on inflation. It is not reasonable to expect farmers to commit, in 1983, to being responsible for the first 6 per cent of inflation in future years without consideration of the farmer's ability to pay. We have pointed out that Dr. Gilson's recommendation of a maximum of 4.5 per cent producer share of inflation was more appropriate, given the uncertainties of national economic conditions.

We are also concerned about the limitation placed on tonnages of grain shipments eligible for the Crow benefit. We are concerned about the fact that farmers have to pick up all of the future costs for grain shipments above the 31 million tonne level. Projections are that we will exceed that amount in this crop year. Where is the logic in charging more for extra production when the goal is to increase export sales?

We note that the railways are now to receive full compensation for moving grain, and it is our desire to see the federal government take action to compel the railways to live up to both investment and performance requirements. It is imperative that the railways be obligated to invest in sufficient rail capacity and to provide an efficient grain transportation service. We are of the view that legislation should include provision for full disclosure of rail cost data to grain shippers, including an annual statement of source and application of funds. We want to be sure that the grain farmers' money is used to build rail capacity, not hotels.

Referring to the proposed review process in 1985-86, we are concerned that the original intent of the Gilson recommendations may not be carried out under the proposed review process. Alberta believes it is important that the payment method allow us to maximize the potential for economic and agriculture development in western Canada. We believe that the results of last year's meetings in Winnipeg between the railways and the farm groups demonstrated the resolve of western Canadian farmers to ensure that they would have a grain handling and transportation system that would allow them to take advantage of future opportunities. We hope that the same positive attitude and resolve will prevail as the final steps are taken towards legislating a new grain transportation policy.

Mr. Speaker, in order that the position of this government on a very complex topic is clearly understood, I am filing with this Assembly a document* which outlines that position in detail.

* see pages 3 to 8 of this booklet

Alberta's Response to Federal Policy Proposals on Western Rail Transportation

The Alberta Government recognizes that agriculture is a basic industry in the Province, contributing both an economic base and a way of life for Albertans. To ensure the continued growth and development potential of the agriculture sector this Government is committed to improving farm income, cash flow, agricultural stabilization, encouraging diversification in crops and livestock production, and to encouraging value-added processing of agricultural products.

Alberta's grain transportation policy objectives are designed to support and encourage the achievement of the Province's goals for agricultural and economic development. Central to Alberta's grain transportation policy is the recognition of the need for a successful resolution to the Crow's Nest grain freight rate issue. The guiding principles in developing the Province's position on changes to the Crow rates are that:

- the historical benefit of low grain freight rates should be retained for farmers,
- the disincentives to value added processing should be removed,
- rail capacity and efficiency should be improved,
- the railways should receive adequate revenue relative to the costs of moving grain, and
- the rate formulas should be regulated and in legislation.

These principles reflect the complexity and inter-relatedness of the problems that must be dealt with in a comprehensive grain transportation policy. Sufficient rail capacity is essential to Alberta's goal of economic development but railway investment will occur only if the railways are adequately compensated. The agricultural processing industry in Alberta requires a freight rate structure that does not discriminate between the exports of raw grain and their processed products. Finally, while there is a recognition that farmers should share in some of the future increased costs of grain transportation, they should not have to give up the historical benefit of low grain freight rates.

The Federal Government initiative on western rail transportation should be evaluated in light of these principles and objectives.

Federal Government Policy Statement on Western Rail Capacity

Transport Minister Pepin announced on February 8, 1982 a Federal Government policy statement outlining a comprehensive approach to meet Western Canada's future railways needs. Mr. Pepin said at that time that the Federal Government was "responding to Western concerns that there be adequate rail capacity to support the economic growth of the West."

Alberta was pleased with this announcement because of a commitment to a comprehensive approach to western rail capacity and western grain transportation. The Federal commitment was seen as complementary to provincial initiatives taken over the past few years in agriculture, economic development and transportation. These initiatives included \$55 million invested in hopper cars, \$5 million invested in inland grain terminals, and an approximate \$240 million invested in the Prince Rupert grain terminal. As well, the Province has provided financial and marketing assistance to the value added agriculture processing industry. For these initiatives to be effective, a comprehensive approach to transportation policy is required.

The Gilson Report – "Western Grain Transportation – Report on Consultations and Recommendations".

This report on the results of extensive consultations amongst Western farm groups was made public June 28, 1982. The policy framework presented by the Gilson report represented a compromise for most farm organizations. In August of 1982, the Federal Government decided to accept, in principle, the main thrust of the Gilson report subject to later decisions about the financial aspects and reports of task forces established to conclude work on recommendations in the report.

In September the Province of Alberta outlined its objectives, principles and an analysis of the Gilson report in its Grain Transportation Policy. The Gilson report and recommendations were not considered complete in many details; however, it was viewed as a move toward a solution that met most of the Province's objectives. Before accepting the entire report, a number of issues were identified. As outlined in the Alberta policy, these were:

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- Alberta supported the need for federal funds in addition to the initial federal commitment in order to achieve a comprehensive solution.
 - The federal government must accept fully its responsibility to protect farm income, encourage agricultural development, and ensure an adequate and efficient transportation system.
 - Alberta was concerned that farmers would be left unprotected from the adverse effects of increased transportation costs and that few commitments were outlined in the Report to reduce this exposure.
 - New lands and new crops, both of which have great potential in Alberta, are neglected in Dr. Gilson's recommendations.
 - Alberta supported Dr. Gilson's recommendations for removing the effect of the Crow Rate on the pricing of grain to the livestock and agricultural processing industries.
 - Farmers had rightfully expressed concern about the lack of assurance of adequate investment and improved railway performance. Producer involvement was seen as being essential in the functioning and policy setting of any agency or institution which vitally affects their economic viability.
 - Alberta was not only concerned that funds be directed toward increased transportation capacity, but also toward improved efficiency and performance.
 - Improved efficiency in the grain system requires more than railway performance guarantees. Various Federal Acts, institutions, and regulations which govern the operation of the grain system may also have to be revised.
 - A process must be established whereby the draft legislation, rate structure and administrative arrangements for producer payment options be reviewed prior to the introduction of any new legislation.
 - Consultation must take place with provincial governments before changes are made to present legislation and regulations relating to railway cost and competition components of present legislation.

Alberta's View of The Federal Government's February 1, 1983 Policy Decisions

On February 1, 1983, Transport Minister Jean Luc Pepin announced the Federal Government's decisions on western rail transportation to expand rail capacity, improve the grain transportation system, assist agricultural and industrial development and stimulate economic recovery. The announced initiative accepts many of the main elements of the Gilson Report, with some alterations, but fails to address a number of issues the Province highlighted in its September Policy.

- (1) Alberta is concerned that the Federal Government's proposed review process puts too much emphasis on reassurances and provision of safeguards for Central Canada.
- (2) Alberta is concerned with the decision to shift the financial burden from the Federal Government to western producers through raising the share of cost inflation that producers must bear from 4 % to 6%.
- (3) Alberta is concerned with the decision to require Parliamentary approval for any further progression of Crow Benefit payments to producers beyond 50%. As such, the Federal Government minimizes the potential for economic and agricultural development in Western Canada.
- (4) The federal policy decision has not addressed new lands and crops. The Province remains committed to the objective of encouraging the development of new lands and new crops.
- (5) Alberta is concerned with the limitation placed on tonnages of grain shipments that are eligible for the Crow Benefit.
- (6) The Province is concerned with the lack of measures in the policy decision which would obligate the railways to ensure sufficient rail capacity through specific investments and to provide an efficient grain transportation service.
- (7) Alberta is concerned that the railways have been effectively guaranteed that their costs for transporting grain will be covered without a similar guarantee that farmers will have the ability to pay.

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- (8) Alberta is concerned that rail cost information is not available to the parties involved in the rate-setting process. Alberta is also concerned that the revenues provided to the railways by grain shippers go towards investments in the grain transportation system.
 - (9) The Province notes the \$175 million, five year agricultural initiatives commitment and observes that most of these funds are directed towards agricultural interests outside of western Canada.
 - (10) The Province notes the commitment of \$75 million for Western Canada to assist companies in taking advantage of opportunities which arise from railway expansion programs, agricultural processing and research and development activities.
 - (11) Alberta is concerned that no guarantee has been made for farmers to share in the gains resulting from their investment in efficiency and productivity measures.
 - (12) Alberta supports a generally distance-related rate structure.
 - (13) The Province supports the decision to place canola and linseed oil and meal under the new grain rate. However, Alberta is concerned about the removal of the minimum compensatory freight rates for these products east of Thunder Bay.

Alberta's Position

Alberta viewed the policy framework presented by Dr. Gilson as the first phase in the process to improve grain transportation in Western Canada. Dr. Gilson's phase-in approach, the division of the payment of the Crow Benefit, and the sharing of inflation recognized that economic gains could be made, while at the same time acknowledging the need to proceed in a manner that causes minimal disruption. The framework, reached through compromise by most farm organizations, is based on a fundamental need to solve a complex issue in a comprehensive manner.

There are, however, still a number of issues to be resolved in order for Alberta to more fully support the Federal Government Policy proposal. These issues are:

- (1) Alberta is concerned with the Federal Government's future cost sharing arrangements. It is not possible to expect farmers to commit, in 1983, to being responsible for the first 6% of inflation in future years **without consideration of the farmer's ability to pay**,
- (2) that the division of the Crow Benefit between farmers and the railways progress to its originally suggested 1989/90 level, and that any alteration of this progression require Parliamentary approval subsequent to the 1985/86 review,
- (3) that the Federal Government Crow Benefit cap of 31.1 million tonnes be removed,
- (4) that the annual inflation costs contributed by the Federal Government be included as a part of the payment to producers,
- (5) that legislation should incorporate provision for full disclosure of rail cost data to grain shippers. In addition, the railways should be required to publish an annual statement of source and application of funds,
- (6) that legislation contain an effective mechanism to guarantee railway performance and to ensure farmers share in productivity and efficiency gains.

